

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HYDEN-LESLIE COUNTY)	
WATER DISTRICT OF LESLIE COUNTY, KENTUCKY)	CASE NO.
FOR ORDER OF APPROVING CONSTRUCTION)	93-021
FINANCING, CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY, AND INCREASED RATES)	

O R D E R

By application received January 20, 1993, Hyden-Leslie County Water District ("Hyden-Leslie") is seeking authorization to construct a \$2,466,880 waterworks improvement project, for approval of its plan of financing for this project, and for adjustment of its water service rates. Project funding includes a Kentucky Infrastructure Authority ("KIA") loan in the amount of \$2,245,080, a \$100,000 contribution from Leslie County Fiscal Court ("LCFC") and \$121,800 from applicants for service in the proposed area. The loan will be for a 20-year period at an interest rate of 2.7 percent per annum. The application was considered filed on February 10, 1993, when all deficiencies were cured. Hyden-Leslie's proposed rates for water service would generate additional annual revenues of \$196,842 or an increase of 51 percent.

The proposed construction will provide water service to about 339 new residential customers and 13 commercial customers. Plans and specifications for the proposed improvements prepared by Chrisman, Miller, Woodford, Inc. of Lexington, Kentucky

("Engineer"), have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

The Engineer by certified statement has indicated that the proposed construction is appropriate for the present operating condition of Hyden-Leslie, and will improve service to its customers.

Commission Staff conducted a limited financial review of Hyden-Leslie's operations for the test period, the twelve-month period ended November 30, 1992. Based upon this review, Commission Staff issued a report on April 8, 1993 recommending an increase in annual operating revenues of \$357,870.

By Order dated April 8, 1993, the Commission advised Hyden-Leslie that comments on the Staff Report or a request for a public hearing must be submitted no later than April 23, 1993, or this case would stand submitted to the Commission for decision. On April 13, 1993, Hyden-Leslie filed a letter accepting the findings and recommendations made in the Staff Report.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. Public convenience and necessity require that the construction proposed be performed and that a Certificate of Public Convenience and Necessity be granted.

2. The proposed construction consists of 37.3 miles of 8-, 6-, 4-, and 3-inch diameter pipelines, two storage tanks, two pump stations, and related appurtenances. The bids totaled \$1,581,148 which will require a total of approximately \$2,466,880 after

allowances are made for fees, contingencies, and other indirect costs.

3. Hyden-Leslie should monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), Hyden-Leslie should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

4. Hyden-Leslie should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

5. Any deviation from the construction approved should be undertaken only with the prior approval of the Commission.

6. Hyden-Leslie should furnish duly verified documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Said construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

7. Hyden-Leslie should require the provision of construction inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the

contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. Hyden-Leslie should require the Engineer to furnish within 60 days of the date of substantial completion of this construction a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

9. The engineering information submitted indicates that Hyden-Leslie is proposing to install 35 fire hydrants as part of this project. Commission Regulation 807 KAR 5:066, Section 10(2)(b), states in part that "[f]ire hydrants may be installed by a utility only if: a. A professional engineer with a Kentucky registration has certified that the system can provide a minimum fire flow of 250 gallons per minute; and b. The system supporting this flow has the capability of providing this flow for a period of not less than two (2) hours plus consumption at the maximum daily rate."

Based on this regulation, the proposed fire hydrant installations must be deleted from the project unless certification in accordance with the regulation can be provided.

10. The recommendations and findings contained in the Staff Report are supported by the evidence of record, are reasonable, and are hereby adopted as the findings of the Commission in this proceeding and are incorporated by reference as if fully set out herein.

11. The rates in Appendix A, attached hereto and incorporated herein, are the fair, just and reasonable rates for Hyden-Leslie and will produce gross annual revenues of \$746,835. These rates will allow Hyden-Leslie sufficient revenues to meet its operating expenses and service its debt.

12. The financing plan proposed by Hyden-Leslie is for lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper performance of the utility's service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose. It should, therefore, be approved.

13. The rates proposed by Hyden-Leslie would produce revenues less than that found reasonable herein and should be denied.

IT IS THEREFORE ORDERED that:

1. Hyden-Leslie be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein, on the condition that the proposed 35 fire hydrants be deleted and service levels be monitored and corrective action taken in accordance with Commission regulations.

2. The rates proposed by Hyden-Leslie in its application are denied.

3. The rates contained in Appendix A are approved for service rendered by Hyden-Leslie on and after the date of this Order.

4. Within 30 days of the date of this Order, Hyden-Leslie shall file with the Commission its revised tariff setting out the rates approved herein.

5. Hyden-Leslie's financing plan consisting of a \$2,245,080 loan from KIA, a \$100,000 contribution from LCFC, and a contribution from the applicants for service of \$121,800 is hereby approved. The financing herein approved shall be used only for the lawful purposes specified in Hyden-Leslie's application.

6. Hyden-Leslie shall comply with all matters set out in Findings 3 through 9 as if the same were individually so ordered.

Done at Frankfort, Kentucky, this 15th day of April, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 93-021 DATED APRIL 15, 1993

The following rates and charges are prescribed for the customers in the area served by Hyden-Leslie County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Residential Water Rates

First	2,000 gallons	\$17.30	Minimum Bill
Next	3,000 gallons	4.80	per 1,000 gallons
Next	5,000 gallons	3.80	per 1,000 gallons
Next	15,000 gallons	3.10	per 1,000 gallons
Next	25,000 gallons	2.70	per 1,000 gallons
Next	50,000 gallons	2.30	per 1,000 gallons
Next	100,000 gallons	1.90	per 1,000 gallons
Over	200,000 gallons	1.50	per 1,000 gallons

Commercial Water Rates

First	2,000 gallons	\$25.90	Minimum Bill
Next	3,000 gallons	7.20	per 1,000 gallons
Next	5,000 gallons	5.70	per 1,000 gallons
Next	15,000 gallons	4.70	per 1,000 gallons
Next	25,000 gallons	4.10	per 1,000 gallons
Next	50,000 gallons	3.50	per 1,000 gallons
Next	100,000 gallons	2.90	per 1,000 gallons
Over	200,000 gallons	2.30	per 1,000 gallons